

17 - GOED Finance Programs

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FINANCE PROGRAMS

In South Dakota, we're ready to work. Our people are dedicated, prepared, and productive. Our business climate is second to none. And our financing programs are structured with you in mind.

That's because in South Dakota, we understand the needs of growing businesses. We've tailored our financing programs to fit you and your business. And, our programs are structured to meet your long-term and short-term financing needs.

We also understand how important your time is. That's why to us, response time is a priority. Our team of professionals will help walk you through the process, and will represent you well to our boards that finalize our loan decisions.

Whether you're just getting started, or are an established business, South Dakota's economic development team is ready to work for you.





REVOLVING ECONOMIC DEVELOPMENT & INITIATIVE (REDI) FUND *

- Provides permanent financing for land, buildings, machinery, and equipment
- 2 percent fixed interest rate
- 10- to 20-year amortization, based on useful life of assets financed
- Take-out financing
- Minimum 10 percent equity contribution; REDI Fund loan amount may not exceed 45 percent of total project costs
- Job creation is a factor in determining loan amount – must meet program minimum wage and benefit requirements
- Low origination fee

SBA 504 **

- Long-term, fixed-rate financing
- Available to all for-profit businesses, including retail operations
- As a Certified Development Corporation (CDC), the GOED offers 504 loans statewide
- Loan amounts: \$2 million; up to \$5 million under public policy; or, \$5.5 million for manufacturing or energy-related borrowers
- Subordinate lien position to bank
- Fixed asset purchases

ECONOMIC DEVELOPMENT FINANCE AUTHORITY (EDFA) **

- Designed for more capital-intensive projects; \$1 million minimum
- Lower interest rate to the borrower as a result of "A+" rating by Standard and Poors
- Long-term, fixed-rate financing
- Provides small businesses access to the public bond market
- Bonds may be tax-exempt on projects that are less than \$20 million in total project costs
- Eligible for projects that operate an ag processing or manufacturing enterprise
- Permanent financing for land, buildings, machinery, equipment, and associated installation costs

* Program administered by the Board of Economic Development | ** Program requires interim/construction financing



SOUTH DAKOTA WORKS

- Offers commercial loans to businesses that need working capital and interim construction financing
- Eligible uses include: working capital, interim construction needs on new buildings, and equipment needs
- Eligible borrowers for South Dakota WORKS loans include: businesses seeking new financing and certified development financial institutions (CDFIs)
- Must meet US Treasury guidelines
- Term: 1-5 years
- Fixed interest rate, typically 1 percent less than lead bank
- Structure: Bank, 60 percent; WORKS loan, 40 percent
- The WORKS loan takes second position on collateral behind the participating bank

SOUTH DAKOTA MICROLOAN / MICROLOAN EXPRESS **

- Offers access to working capital for small enterprises; may also be used for fixed assets
- Up to 10-year term, depending on loan amount
- Maximum loan amount of \$100,000; minimum \$1,000; total project costs cannot exceed \$500,000
- Application fee is the greater of 1.5 percent of loan amount or \$50
- 3 percent interest rate
- 50 percent of total project cost must be provided by a bank, credit union, or local regional revolving loan funds; balance from MicroLOAN and equity injection (if required by lender); MicroLOAN subordinates to lender involved or may be in a shared first collateral position with MicroLOAN Express and the local regional revolving loan funds



FINANCE INFO

“ Thanks to the funding from the REDI Fund loan program, we were able to purchase the necessary equipment to make our organization more efficient.

This allowed us to meet the production needs required to fill the orders we are faced with. Our expansion will create jobs, and as we all know, that is key to the economic engine of any community. ”

– Steve Hohn, President
MDS Manufacturing

REINVESTMENT PAYMENT PROGRAM *

- Assists companies in offsetting the upfront costs associated with relocating or expanding operations and/or upgrading equipment
- Total project costs in excess of \$20 million or equipment upgrades with a total project cost in excess of \$2 million
- One key criteria considered by the board when reviewing an application is the likelihood the project would have occurred without the Reinvestment Payment Program
- Intended for projects that would not have occurred without the reinvestment payment

PROOF OF CONCEPT FUND

- Provides up to \$25,000 investments to conduct research demonstrating the technical and economic feasibility of an innovation
- Eligible parties include: entrepreneurs, universities, existing South Dakota companies, or other entities committed to commercializing the results in South Dakota
- Requires a matching cash or in-kind investment of at least 10 percent of the total project cost
- Investment proceeds may be used to pay consultant contracts, materials and supplies, salaries for employees in South Dakota, and necessary services for technical feasibility or marketing studies

WORKFORCE DEVELOPMENT PROGRAM

- Provides matching grants to assist companies with up to 50 percent of eligible training expenses
- Funding is released on a reimbursement basis upon the completion of the training
- Assists with new and current employee training
- Jobs must meet minimum wage and benefit requirements
- Training must focus on the technical aspects of the job

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FINANCE INFO

“ Had it not been for the efforts of the GOED staff and the financing approved through the South Dakota WORKS program, our recent project would not have happened.

This project was a great demonstration of how the GOED can work together with local banks and the Small Business Administration to encourage economic development in our great state. Thank you for helping our customer make this project a reality. ”

– Jason Appel, Executive Vice President
Plains Commerce Bank

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DAKOTA SEEDS

- Designed to help employers establish a pipeline for future skilled employees
- Internship must provide a meaningful work experience for the student that will help them further their career pathway
- Internships are open to both high school and post-secondary students
- Positions must have a link to science, technology (computer science), engineering, mathematics, accounting or manufacturing
- The internships cannot be filled by family members of the business ownership group
- Students must be paid a minimum wage of \$10 per hour

SOUTH DAKOTA JOBS PROGRAM *

- Assists companies in offsetting the upfront costs associated with relocating or expanding operations and/or upgrading equipment
- Total project costs less than \$20 million or equipment upgrades with a total project cost less than \$2 million
- One key factor considered by the board when approving or denying an application is the likelihood the project would have occurred without the South Dakota Jobs grant

LOCAL INFRASTRUCTURE IMPROVEMENT PROGRAM *

- Provides grants to assist in funding the construction or reconstruction of infrastructure for the purpose of economic development
- Eligible for any political subdivision of this state, tribal government, or local development corporation from the fund to construct or reconstruct infrastructure for the purpose of serving an economic development project
- Board consults with appropriate state agencies to evaluate the feasibility and merits of the proposed infrastructure improvements
- Board considers the economic impact of the project to be served by the proposed infrastructure improvements
- Board considers the funding available to and utilized by the applicant



ECONOMIC DEVELOPMENT PARTNERSHIP PROGRAM *

- Provides matching grants to assist in funding equipment and training needs, new staff, or to elevate existing part-time staff, for the purpose of developing or expanding local and community development programs
- Requires a 1:1 match
- May be used to commence or replenish local revolving loan funds
- Eligible for any nonprofit development corporation, tribal government, municipality, county, or other political subdivision of the state

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

- Provides matching grants to local governments (incorporated municipalities/counties)
- Primarily benefits low- and moderate-income persons
- Projects must meet federal requirements
- Environmental review must be completed
- Local Planning Districts must administer CDBG awards
- Can be utilized for workforce development training and community infrastructure needs

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GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
711 E. WELLS AVE., PIERRE, SD 57501
800-872-6190

WWW.SDREADYTOWORK.COM



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